

ACTION EUR-00

INFO	LOG-00	EEB-00	AID-00	CEA-01	CIAE-00	COME-00	CTME-00
	INL-00	DODE-00	DOEE-00	PERC-00	DS-00	EAP-00	DHSE-00
	EXIM-01	E-00	FBIE-00	VCI-00	FRB-00	H-00	TEDE-00
	INR-00	IO-00	ITC-01	L-00	MOFM-00	MOF-00	VCIE-00
	DCP-00	NSAE-00	ISN-00	NSCE-00	OMB-00	NIMA-00	PM-00
	SCT-00	ISNE-00	DOHS-00	FMPC-00	SP-00	IRM-00	SSO-00
	SS-00	STR-00	BBG-00	IIP-00	SCRS-00	PMB-00	DSCC-00
	PRM-00	G-00	CARC-00	NFAT-00	SAS-00	FA-00	SWCI-00

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FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 4568
DEPARTMENT OF TREASURY WASHDC
EUROPEAN POLITICAL COLLECTIVE
AMEMBASSY TOKYO

C O N F I D E N T I A L PARIS 001917

NOFORN

E.O. 12958: DECL: 10/16/18
TAGS: [EFIN](#) [PREL](#) [EUN](#) [FR](#)
SUBJECT: GLOBAL SUMMIT ON FINANCIAL SYSTEM: MFA DAS DISCUSSES GOF
AGENDA

REF: A) PARIS 01895 B) PARIS 01902 (NOTAL)

CLASSIFIED BY EMIN SETH WINNICK FOR REASONS 1.4 B AND D.

¶1. (C) On October 16, Elysee Diplomatic Advisor Levitte gave Ambassador the broad-brush French position on when, where and why the GOF wants an international summit on the financial system. He avoided going much into the substance, arguing that he is not an expert in international finance. To get a better idea of the GOF's objectives, we have been in touch with senior Economic and Foreign Affairs Ministry officials working on preparing such a meeting.

¶2. (C) Under Elysee staff leadership working groups from the two ministries are preparing three sets of issues for the summit:

-- Emergency response to the current crisis: Much has been done but leading governments must follow through, together to solidify responses and avoid finger-pointing or the emergence of a "north/south" split;

-- Next Steps: Coordination of actions on reform, regulatory or supervisory issues, e.g., executive compensation, rating agencies, transparency, tax havens, new financial instruments, and financial actors such as hedge funds;

-- International Economic Governance: The GOF wants to reexamine the role of the IMF, the Financial Stability Forum, public and private standards-setting bodies including the IASB, the role of G7/8 versus the G20, the World Bank and UN economic and development bodies.

¶3. (C) Senior Economics Ministry officials told us that the expansion of IMF authority (catch phrase: becoming "regulator of regulators") will be high on the list of French priorities. The Finance official noted that British PM Brown has called for the IMF to take on the role of an international early warning system. This, he said, would be difficult to do without greater, real-time visibility into national economies and financial flows.

¶4. (C) The MFA DAS for Finance said his Ministry is focused on the totality of international economic institutions, which are fragmented and poorly coordinated. The plethora of UN agencies intended to deal with economic issues isn't very effective on economic issues, he said. Even where they are active, coordination with other institutions, or even with each other, is poor. The GOF is looking at the possibility of revisiting the whole architecture of these bodies as well as the Bretton Woods institutions, with a view to making the whole more effective.

¶5. (C) In the MFA's ongoing dialog with developing countries, he said, many are expressing specific concerns about the impact of the financial and economic crisis, not just on aid flows, but also on remittances from their overseas workers, foreign direct investment, and trade and development finance, including from the private sector. In some cases, he stressed, lack of attention to these issues could result in political upheaval and humanitarian disasters. In others, such as Pakistan, the international effects could loom very large.

¶6. (C) On summit format, the MFA DAS presented the view that to settle the current crisis and act to prevent future ones, countries representing as much as 80 percent of global GDP -- a larger share of the world economy than the G8 -- need to be involved. That said, those involved must share a minimum sense of common interest and commitment to ongoing communication and coordination on difficult issues, a la G8. (He admitted that there are both international and internal problems with Russia, but this is hardly the time or place to exclude them -- rather, time to draw them in to constructive economic engagement.)

¶7. (C) Division of Labor in the French Government:
Senior Elysee Diplomatic Advisor/Sherpa Levitte and Deputy Chief of Staff for Economic Affairs Francois Perol are overseeing all summit preparations. Foreign Affairs Sous-sherpa Masset and his Financial Affairs counterpart Benoit Coeure at the Economics Ministry coordinate closely but divide the issues. The Economics Ministry is handling issues relating to the response to the immediate crisis, economic/financial regulation/supervision issues, and the future of the IMF. The MFA is handling assistance to developing and "fragile" countries (e.g., Pakistan); the political impact of the crisis; and, Global Economic Governance issues.

STAPLETON